

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-10 ISO-00 CAB-02 CIAE-00 COME-00

DODE-00 DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 L-03

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7873

INFO AMEMBASSY LONDON

AMEMBASSY ROME

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ROME FOR RCAA

E.O. 11652: N/A

TAGS: EAIR, EFIN, EG, US

SUBJECT: CIV AIR: PAN AM TRANSFER OF POUNDS

REFS (A) CAIRO 6287 AND (B) CAIRO 5617

1. PAN AM HAS BEGUN EFFORT TO OBTAIN AUTHORITY TO TRANSFER SMALL REMAINING AMOUNTS OF POUNDS IN ITS OPERATING SURPLUS ACCOUNT COVERING PERIOD PRIOR TO MAY 1, 1976 (WHEN NEW PROCEDURES WERE INSTITUTED CONCERNING TRANSFERS - REFTEL A.).

2. FINANCIAL REP. TAYLOR FROM LONDON AND LOCAL REP EL ZAYAT CALLED AT EMBASSY OCTOBER 7 TO DISCUSS PROBLEM AND SECURE ASSISTANCE IN OVERCOMING IT. TAYLOR WAS SHOWN COPIES OF AMBASSADOR'S LETTER TO PM AND MINFIN (REFTEL B AND PREVIOUS COVERING TRANSFER PROBLEM BEING ENCOUNTERED BY U.S. AIRLINES, BOTH PAN AM AND TWA, AND EXTRACTS OF CABLE TRAFFIC COVERING EMBASSY'S REPORTS OF ITS EFFORTS. TAYLOR WAS AWARE OF TWA SETTLEMENT, WISHED TO SECURE BETTER DEAL THAN ONE-THIRD OFFICIAL RATE AND TWO-THIRDS PARALLEL RATE FOR PAN AM (ON BASIS THAT AMOUNTS REMAINING ARE RELATIVELY VERY SMALL - ABOUT LIMITED OFFICIAL USE

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\$80,000) AND ASKED FOR HELP IN ARRANGING A MEETING WITH

APPROPRIATE FIN MIN OFFICIAL.

3. EMBOFF SECURED MEETING OCTOBER 12 WITH U/SEC HANDLING THESE MATTERS EXPLAINING TO HIM AND TO PERSONAL ASSISTANT OF MIN FIN ABU ISMAIL THAT USG REMAINED VERY INTERESTED IN EXPEDITIOUS AND APPROPRIATE RESOLUTION OF PAN AM PROBLEM. SINCE TAYLOR HAD LEFT, ONLY EL ZAYAT ATTENDED MEETING AND, AS BOTH HE AND EMBOFF EXPECTED, GOE IS NOT IN A POSITION TO ACCEDE TO COMPANY'S REQUEST. (IT IS WORTHWHILE NOTING THAT THERE ARE A NUMBER OF UNUSUAL WRINKLES IN PAN AM CASE, INVOLVING NEGATIVE BALANCES CARRYOVERS, AND OTHER ESOTERIC ASPECTS OF TRANSFER QUESTION, WHICH MAKE IT APPEAR MORE COMPLICATED THAN TWA'S. IT APPEARS CLEAR, HOWEVER, THAT THERE IS AN AMOUNT AWAITING TRANSFERS.)

4. ACCORDING TO EL ZAYAT, FIN MIN OFFICIALS PLAN TO REVIEW ALL AIRLINE TICKET SALES MADE BETWEEN JUNE 74 AND APRIL 76, CALCULATE DIFFERENCE BETWEEN IATA RATE OF EXCHANGE (\$1 EQUALS LE. 0.438) USED IN CALCULATING PRICES AND OFFICIAL RATE (\$1 EQUALS LE 0.39) USED BY GOE TO TRANSFER FUNDS, COLLECT THIS AMOUNT FROM AIRLINES WHICH MADE TRANSFER DURING THE PERIOD, AND USE IT TO COVER TRANSFERS STILL OUTSTANDING FOR PERIOD FEBRUARY 1975 TO APRIL 1976 (PERIOD OF NO TRANSFERS, GENERALLY SPEAKING, DUE TO SHORTAGE OF FOREIGN EXCHANGE).

5. EL ZAYAT WAS EVIDENTLY TOLD THAT PAN AM COULD TRANSFER SURPLUS FOR LATTER PERIOD AT PARALLEL RATE (1 EQUALS LE0.68) AND AS SOON AS ABOVE STUDY IS COMPLETED, ANY DIFFERENCE BETWEEN AMOUNT ACTUALLY INVOLVED AND WHAT STUDY REVEALS IT SHOULD HAVE BEEN WILL BE SETTLED BETWEEN GOE AND PAN AM.

6. THIS INFORMATION HAS BEEN PASSED TO LONDON OFFICE, AND EL ZAYAT IS AWAITING A REPLY, WHICH HE EXPECTS WILL BE NEGATIVE, AS DOES EMBASSY. PAN AM WILL SURELY HOLD OUT FOR AT LEAST AS GOOD A DEAL AS TWA, AND IS CLEARLY ENTITLED TO IT AS WELL. PROBLEM FACING EGYPT, OF COURSE, IS ALMOST TOTAL LACK OF WHEREWITHAL TO COVER EVEN FAR MORE URGENT FOREIGN EXCHANGE REQUIREMENTS. EMBASSY WILL REPORT DEVELOPMENTS AS THEY OCCUR, AND WILL DO WHATEVER IS LIMITED OFFICIAL USE

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POSSIBLE TO ASSIST PAN AM.

7.COMMENT:IN ADDITION TO COMPLICATED NATURE OF GOE EFFORT TO RECALCULATE PAST TRANSFERS, RESISTANCE FROM COMPANIES INVOLVED IS CERTAIN TO BE ENCOUNTERED. TWA, FOR EXAMPLE, WILL NOT REACT WITH PLEASURE TO POSSIBILITY OF HAVING TO BRING FOREIGN EXCHANGE BACK INTO EGYPT.
EILTS

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